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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, OCTOBER 11, 2002

APPLICATION OF

SOUTHWESTERN VIRGINIA
GAS COMPANY

CASE NO. PUE-2002-00517

For an expedited increase
in rates

ORDER FOR NOTICE AND HEARING

On September 23, 2002, Southwestern Virginia Gas Company ("SVGC" or the "Company") filed a rate application, supporting testimony and exhibits with the State Corporation Commission ("Commission") for an expedited increase in rates. SVGC seeks to increase its annual revenues by \$433,435, an increase of approximately 5%. The Company also proposes to increase its reconnection fee from \$30 to \$50, and requests that the increase in rates and the reconnection fee be allowed to go into effect for bills rendered on and after October 31, 2002.

Section B of the Commission's Rules Governing Utility Rate Increase Applications and Annual Informational Filings, 20 VAC 5-200-30, ("the rules") permits the rates of a public utility to take effect within 30 days after the application is filed, subject to refund, pending investigation, so long as the rate application complies with the rules and the utility has not

experienced a substantial change in circumstances since its last rate case. On October 10, 2002, the Commission's Staff filed an interim report, in which it concluded that there is a reasonable probability that the proposed increase will be justified following a full investigation and hearing.

In its application, SVGC also requests a waiver pursuant to 20 VAC 5-200-30.A.11 for reporting information for Southwestern Virginia Energy Industries, Ltd. (the "Parent"), and consolidated information of the Parent and the Company as required in Schedules 1, 2 6, and 7. In support of its request, SVGC states that: (1) the Parent has historically never contributed to the raising of capital for the Company; (2) the Parent has historically never assisted the Company in raising capital either by guaranteeing debt or in any other manner securing the Company's obligations; (3) the Parent is a closely held corporation and not traded publicly; and (4) the Parent does not have financial statements prepared for public distribution.

The Company further requests a waiver of the requirement to prepare a jurisdictional cost of service study - Schedule 30. SVGC states that it serves very few governmental non-jurisdictional customers; in fact, the Company states that the only non-jurisdictional customers - governmental offices and schools - represent less than 1.1% of the Company's customers

and 2.8% of its gas throughput. According to SVGC, these non-jurisdictional customers pay for service on the basis of Commission-approved rates; thus, there is virtually no impact on the per customer cost of service and no economic justification to expend the money, time and effort to create a non-jurisdictional cost study.

NOW UPON CONSIDERATION of the Company's application, the Commission is of the opinion and finds that this matter should be docketed, that a Hearing Examiner should be assigned to conduct all further proceedings on this matter on behalf of the Commission, and that a procedural schedule should be established as prescribed herein. Interested parties will also have the opportunity to comment on the Company's waiver requests.

Accordingly, IT IS ORDERED THAT:

(1) SVGC's application for approval of an expedited increase in rates is docketed and assigned Case No. PUE-2002-000517.

(2) SVGC may put its rates into effect on an interim basis subject to refund on October 31, 2002.

(3) A public hearing shall be convened on February 11, 2003, at 10:00 a.m., in the Commission's Courtroom, Second Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia, to receive comments from members of the public and to receive evidence on the captioned application. Any person not

participating as a respondent as provided in ordering paragraph (11) below, may give oral testimony concerning the application as a public witness at the February 11, 2003, public hearing. Public witnesses desiring to make statements at the public hearing concerning this application need only appear in the Commission's second floor courtroom in the Tyler Building at the address set forth above prior to 9:45 a.m. on the day of the hearing and register a request to speak with the Commission's bailiff.

(4) As provided by § 12.1-31 of the Code of Virginia and Rule 5 VAC 5-20-120 of the Commission's Rules of Practice and Procedure, a Hearing Examiner is appointed to conduct all further proceedings in this matter on behalf of the Commission and to issue a final report herein.

(5) Upon written request received by its counsel, the Company shall provide a copy of the application to the requesting party at no cost. If acceptable to the requesting individual, the Company may provide the application, with or without attachments, by electronic means. Written requests shall be made to Richard D. Gary, Esquire, Hunton & Williams, River Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074. Interested persons may also review a copy of the application and the Commission's Order for Notice and Hearing in the Commission's Document Control Center, located on

the First Floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia between the hours of 8:15 a.m. and 5:00 p.m., Monday through Friday.

(6) On or before November 8, 2002, SVGK shall complete publication of the following notice as display advertising (not classified) on one occasion in newspapers of general circulation throughout the Company's service territories within the Commonwealth of Virginia:

NOTICE TO THE PUBLIC OF AN APPLICATION
BY SOUTHWESTERN VIRGINIA GAS COMPANY, FOR
APPROVAL OF AN EXPEDITED INCREASE IN RATES
CASE NO. PUE-2002-000517

On September 23, 2002, Southwestern Virginia Gas Company ("SVGK" or the "Company") filed a rate application, supporting testimony and exhibits with the State Corporation Commission ("Commission") for an expedited increase in rates. SVGK seeks to increase its annual revenues by \$433,435, an increase of approximately 5%. The Company also proposes an increase in its reconnection fee from \$30 to \$50.

The rates are proposed to go into effect for service rendered on and after October 31, 2002. SVGK may put its rates into effect on an interim basis subject to refund on October 31, 2002.

The Company also requests a waiver pursuant to 20 VAC 5-200-30.A.11 for reporting information for Southwestern Virginia Energy Industries, Ltd. (the "Parent"), and consolidated information of the Parent and the Company as required in Schedules 1, 2, 6, and 7. SVGK further requests a waiver of the requirement to prepare a jurisdictional cost of service

study - Schedule 30, since the Company serves very few governmental non-jurisdictional customers.

On or before November 15, 2002, any interested person may file comments on the Company's waiver requests with the Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118.

Copies of the application are available through written request to counsel for the Company, Richard D. Gary, Esquire, Hunton & Williams, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074. Interested persons may also review a copy of the application and the Commission's Order for Notice and Hearing in the Commission's Document Control Center, located on the First Floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia between the hours of 8:15 a.m. and 5:00 p.m., Monday through Friday. A copy of the Commission's Order may also be obtained on the Commission's website:
www.state.va.us/scc/caseinfo/orders.htm.

A public hearing on the application will be held on February 11, 2003, at 10:00 a.m., in the Commission's Courtroom, Second Street, Richmond, Virginia.

Any interested person may participate as a respondent in the proceeding by filing, on or before December 10, 2002, an original and fifteen (15) copies of a notice of participation with the Clerk of the Commission at the address set forth above. Interested parties should obtain a copy of the Commission's Order for further details on participation as a respondent.

Interested persons not participating as a respondent may give oral testimony concerning the application as a public witness at the February 11, 2003, public

hearing. Public witnesses desiring to make statements at the public hearing concerning this application need only appear in the Commission's second floor courtroom in the Tyler Building at the address set forth above prior to 9:45 a.m. on the day of the hearing and register a request to speak with the Commission's bailiff.

Any interested person may file comments on the application with the Clerk of the Commission at the address set forth above on or before January 7, 2003.

All filings with the Clerk of the Commission shall refer to Case No. PUE-2002-00517 and shall simultaneously be served on counsel to the Company at the address set forth above.

SOUTHWESTERN VIRGINIA GAS COMPANY

(7) On or before November 8, 2002, the Company shall mail a copy of its application and this Order by personal delivery or by first-class mail, postage prepaid, to the chairman of the board of supervisors and county attorney of each county and upon the mayor or manager of every city and town (or upon equivalent officials in counties, towns and cities having alternate forms of government) in which the Company provides service. Service shall be made by first-class mail to the customary place of business or residence of the person served.

(8) On or before November 27, 2002, SVGC shall file with the Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, proof of

the publication and service required in ordering paragraphs (6) and (7).

(9) On or before December 3, 2002, SVGC shall file with the Clerk at the address set forth in ordering paragraph (8) above an original and fifteen (15) copies of any additional direct testimony, exhibits and other materials supporting its application.

(10) On or before November 15, 2002, any interested person may file comments on the Company's waiver requests in the application.

(11) Any interested person may participate as a respondent in this proceeding by filing, on or before December 10, 2002, an original and fifteen (15) copies of a notice of participation with the Clerk at the address set forth in ordering paragraph (8) above, and shall simultaneously serve a copy of the notice of participation on counsel to the Company, Richard D. Gary, at the address set forth in ordering paragraph (5) above. Pursuant to Rule 5 VAC 5-20-80 of the Commission's Rules of Practice and Procedure, any notice of participation shall set forth (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. Interested parties shall refer in all of their filed papers to Case No. PUE-2002-00517.

(12) Within five (5) business days of receipt of a notice of participation as a respondent, the Company shall serve upon each respondent a copy of this Order, a copy of the application, and all materials filed with the Commission, unless these materials have already been provided to the respondent.

(13) On or before January 7, 2003, each respondent may file with the Clerk at the address set forth in ordering paragraph (8) above an original and fifteen (15) copies of any testimony and exhibits by which it expects to establish its case and shall serve copies of the testimony and exhibits on counsel to the Company and on all other respondents. The respondent shall comply with Rules 5 VAC 5-20-140, 5 VAC 5-20-150, and 5 VAC 5-20-240 of the Commission's Rules of Practice and Procedure.

(14) On or before January 7, 2003, any interested person may file any comments on the captioned application with the Clerk at the address in paragraph (8) above and shall mail a copy to counsel for the Company, Richard D. Gary, at the address set forth in paragraph (5) above.

(15) The Commission Staff shall investigate the Company's application for an expedited increase in rates. On or before January 27, 2003, the Staff shall file with the Clerk of the Commission an original and fifteen (15) copies of the Staff's testimony and exhibits regarding the captioned application and

shall promptly serve a copy on counsel to the Company and all respondents.

(16) On or before February 4, 2003, the Company shall file with the Clerk of the Commission an original and fifteen (15) copies of any rebuttal testimony that it expects to offer in rebuttal to the testimony and exhibits of the respondents and the Commission Staff and shall on the same day serve one copy on Staff and all respondents.

(17) SVGC and respondents shall respond to written interrogatories within seven (7) calendar days after receipt of the same. Except as modified above, discovery shall be in accordance with the Commission's Rules of Practice and Procedure.